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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

May 1, 1998

Ex Parte

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Rm. 222
Washington, D.C. 20554

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**Re: CC Docket 93-193, Phase I, Part 2, CC Docket No. 96-45, Bell Atlantic
Application For Review**

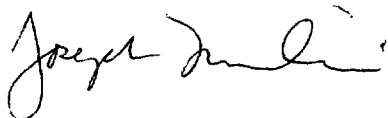
Dear Ms. Salas:

Please be advised that on April 27, 1998, Edward Shakin and I, representing Bell Atlantic, met with Kyle Dixon of Commissioner Powell's office to discuss the above referenced proceeding. The attached material was used during the meeting.

Additionally, this material is being provided today to Paul Gallant (Office of Commissioner Tristani), James Casserly (Office of Commissioner Ness), Kevin Martin (Office of Commissioner Furchgott-Roth), and Thomas Power (Office of Chairman Kennard).

Should you have any questions, please do not hesitate to contact me.

Sincerely,



cc: Mr. J. Casserly
Mr. K. Dixon
Mr. P. Gallant
Mr. K. Martin
Mr. T. Power

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Three Tariff Investigations – Similar Concerns

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The Commission Should Not Require A Reduction In Total Rate Recovery When The Only Issue Under Investigation Is How That Recovery Should Be Distributed Among Rate Elements

- **In each instance, the total level of Bell Atlantic's rates was not in dispute.** The complaints simply concerned how cost recovery for an agreed upon total should be distributed among rate elements. When a dispute concerns allocation among rate elements, there should not be a reduction in total revenue regardless of the outcome of the investigation. Yet, Bell Atlantic has paid, or may be forced to pay, refunds in each investigation.
- **1997 Tariff (already decided)** – The Commission Investigated Bell Atlantic's projection of common line costs. The total amount of allowable revenues in the Common Line Price Cap Basket was not at issue. The only question was how much should have been recovered through carrier common line charges and how much through end-user common line charges. The Commission substituted a new allocation methodology for that used by Bell Atlantic. Using the new method it recalculated the common line cost projection and ordered refunds on carrier charges and no adjustment to end-user charges. The end result is that Bell Atlantic was forced to reduce its total revenue when no party claimed that the total was excessive.
- **1993-96 Tariff (Application For Review Currently Before the Commission)** – The Commission Investigated the distribution of sharing among price cap baskets. The total amount of sharing was not in question, only how much each group of services should benefit. Because long distance carriers are customers of services from multiple price baskets, the same customer pool that did not receive sufficient sharing reductions for some services, also benefited from purchases of services in baskets that received too much sharing. Indeed, AT&T, which brought the complaint, originally sought a recalculation of sharing – both upward and downward depending on the basket. Nevertheless, the Staff has ordered a refund to those customers found not to have received sufficient sharing, but will not allow any recoupment or offset from customers of services that received too much sharing.

Three Tariff Investigations – Similar Concerns

- **1998 Access Reform Tariff (Currently Under Investigation)** – The Commission has instituted a complete redistribution of cost recovery including establishing new rate elements and requiring calculation of a special rate for a new class of residential customers with two or more lines. Here, the staff has explicitly recognized in its order that rates *may* go up or down as a result of readjustment. While such adjustment is critical, the better solution is to limit the impact of any Commission decision to prospective adjustments to avoid either penalizing local carriers again or forcing complicated recoupment. This is especially true for second line definitions, where the Commission has failed to set a standard definition in a pending rulemaking.